



13th Annual Government Financial Management Conference

Update on Debt Collection

Department of the Treasury
Financial Management Service **fms**





Treasury Report on Receivables

Background

- TROR collects data from Federal agencies on the status and condition of the Federal Government's non-tax debt portfolio, in accordance with the requirements of the Debt Collection Act of 1982 and the Debt Collection Improvement Act of 1996 (DCIA).
- Information shared with Congress, OMB, and GAO, for agency performance monitoring. Disseminated to CFOs, other Federal and State officials, private sector organizations, and the public.
- Revised in 1998/1999 to accommodate Treasury's expanded debt-management responsibilities and new requirements on agencies for collecting their delinquent debts.
- Became Internet-based April 1999.





Treasury Report on Receivables

TROR EST OMNIS DIVISA IN PARTES TRES

- **Part I - Status of Receivables**
Receivables and collections.
Delinquent debt by age.
- **Part II - Debt Management Tool and Technique Performance Data**
Delinquent debt 180 days or less.
Debts eligible for referral to Treasury for offset and cross-servicing.
Collections.
Debt disposition.
- **Part III - Footnotes**





Treasury Report on Receivables

Agency Debt Referrals and Debt Collection Performance

- TROR is a management report that 1) informs Federal decision makers of the value of the debts held by the Federal Government and the actions taken to enforce collections, and 2) helps agencies better manage their delinquent-debt portfolios.
- TROR identifies debts eligible for referral to FMS and tracks agencies' referral and collection efforts.

Analyze creditor agency debts and manage portfolios.

Assess the value and collectability of delinquent debt.

Identify and resolve barriers to referral.

Establish referral schedules and compliance plans.

Track and monitor performance.

Compare with DMS systems data .





Treasury Report on Receivables

Recent Enhancements

- **TROR Workshops: Government-wide and agency-specific.**
- **Revise On-line Instructional Workbook.**
- **Five-year trend analyses: Government-wide and by agency.**
 - Receivables.**
 - Collections.**
 - Write-offs.**
 - Delinquencies.**
 - Delinquencies > 180 days.**
- **Quarterly reporting by all CFO Act agencies.**





Delinquent Debt Referral Operational Issues

- CFO annual verification of debts referred (ending balance)
- Internal agency communication issues
- Mechanical reporting errors due to misinterpretation of guidance
- System capability issues
- Misclassification of debt types
- Prioritization and resource issues





Cross-Servicing

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Cross-Servicing

Debt Collection Act of 1982 & Debt

Collection Improvement Act of 1996

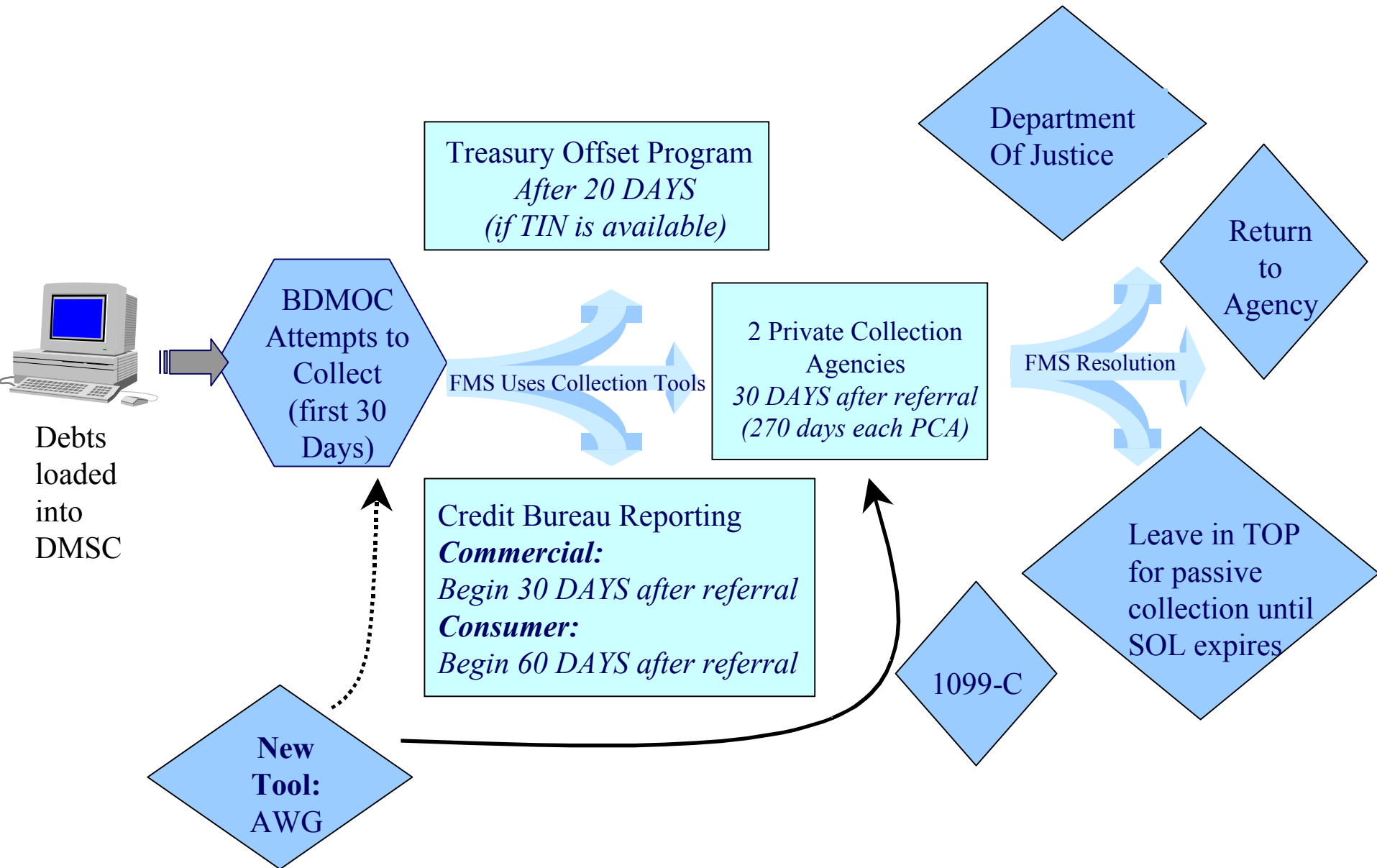
Federal Claims Collection Standards

GOALS

- Collect debt
- Resolve debt
- Remove debt from the government's receivables

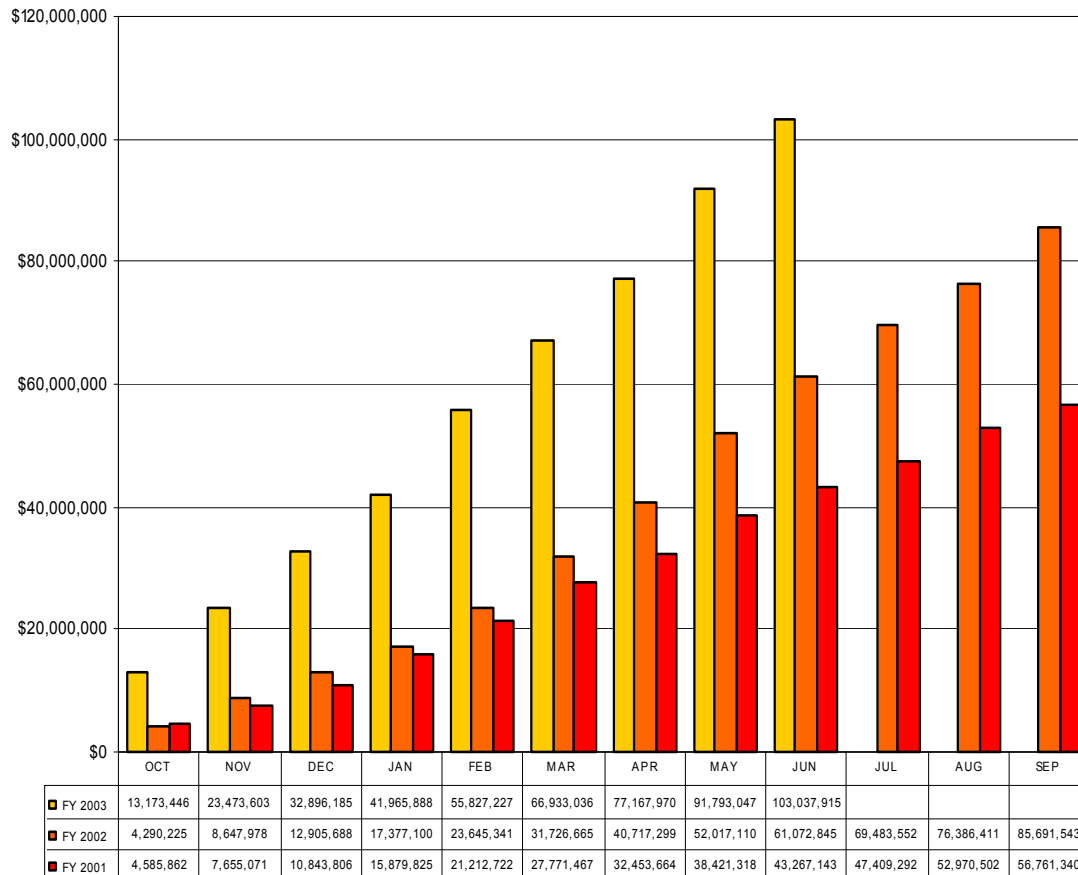


Collection Process Overview



Cross-Servicing Collections

Cross-Servicing Comparison FY 2001 Through FY 2003 Collections as of June 30, 2003



Through June of FY 2003, total cross-servicing collections are nearly \$42 million higher than the total collected during the same period in FY 2002.

COLLECTIONS SINCE INCEPTION

\$ 163.7 MILLION FOR PCAs
\$ 98.2 MILLION FOR DMSC
\$ 59.2 MILLION FOR TOP
\$ 321.1 MILLION TOTAL

ACTIVE PAYMENT AGREEMENTS

DMSC	3,983	\$31,654,428
PMAC	3,167	\$32,699,762
TOTAL	7,150	\$64,354,190



Electronic Debt Referrals

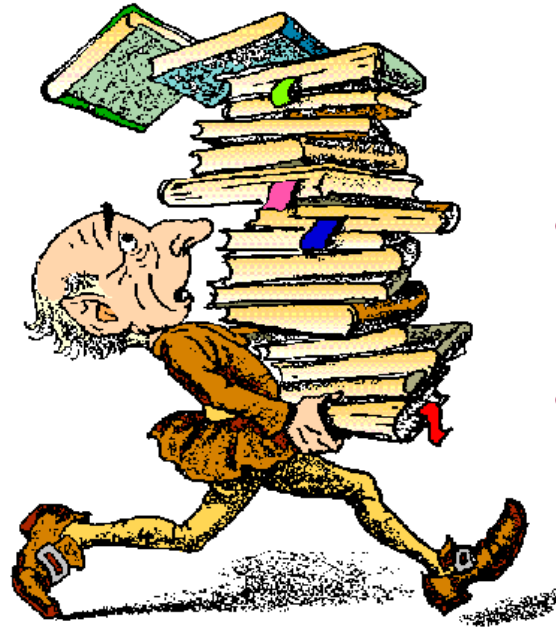
Conversion
from FTP



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Number of Manual Debt Referrals



- Number of Manual Referrals
- Going away!



Administrative Wage Garnishment (AWG)

The process, authorized by the Debt Collection Improvement Act of 1996, by which a debtor's wages are garnished without the requirement of a court order in order to collect a Federal non-tax delinquent debt.





AWG - Collections

7 Agencies currently authorize AWG

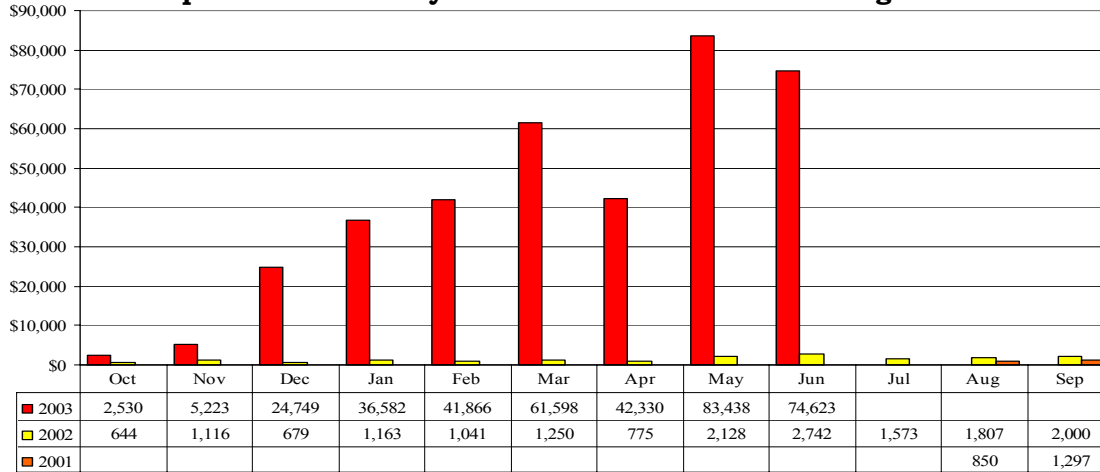
- 1. Railroad Retirement Board**
- 2. Securities and Exchange Commission**
- 3. Housing & Urban Development**
- 4. James Madison Foundation**
- 5. Nuclear Regulatory Commission**
- 6. Department of Education**
- 7. Army & Air Force Exchange Service**



Cross-Servicing Collections

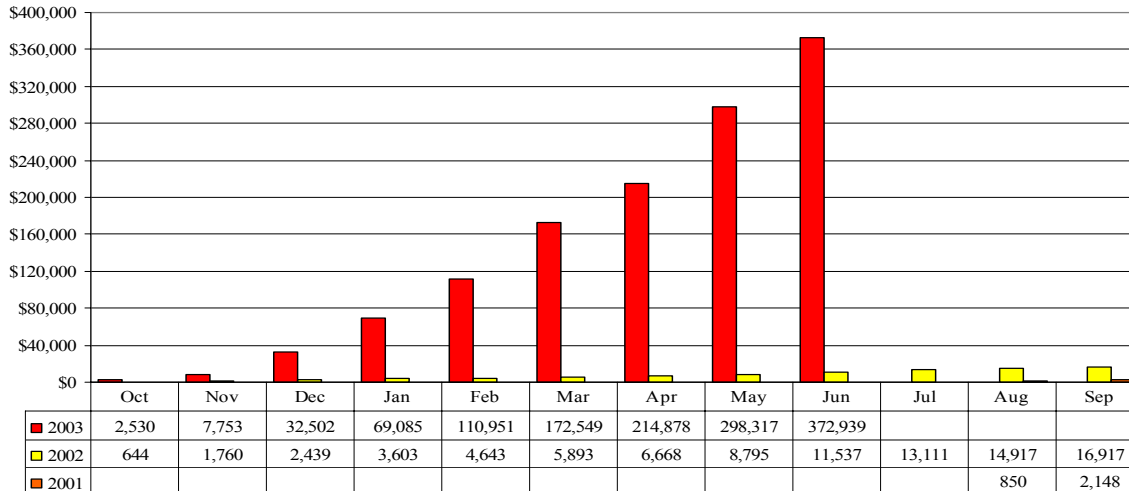
**Cross-Servicing Collections Through Administrative Wage Garnishment
as of June 30, 2003**

Comparison of Monthly Collections for FY 2001 Through 2003



Through June of FY 2003, the PCAs have collected nearly \$373 thousand through Administrative Wage Garnishment (AWG). More than half of this amount was collected during the past three months. The upward trend in collections through AWG is expected to continue as additional Federal agencies enable DMS to utilize this powerful collection tool.

**Comparison of Cumulative Collections for FY 2001 Through 2003
by Month**





Private Collection Agencies (PCAs)

Debts are sent to PCAs 30 days after referral. PCAs are expected to perform nationwide debt collection, including:

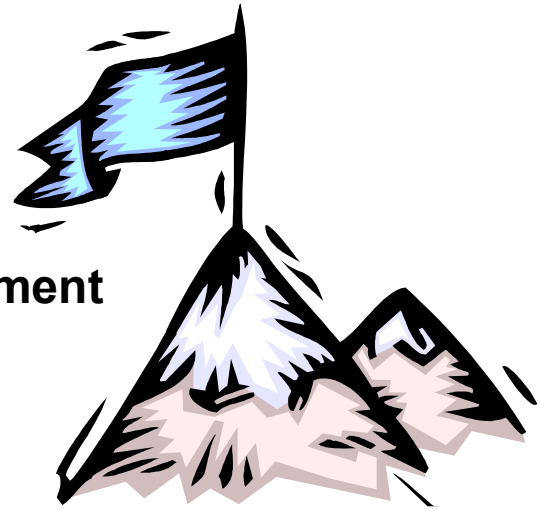
- Consumer and commercial debt.
- Different types of debts (fines, fees, overpayments medical).
- Varied ages.
- Varied values (\$100 to millions)





PCA Contract Goals

- Collect debt
- Resolve debt
- Create competitive environment
- Evaluate performance





Basic Contract Requirements

Collection Process

- Pre-approved collection letters
- Perform skip-tracing
- Receive and process debtor disputes
- Payment agreements
- Administrative Wage Garnishment
- Administrative resolution with inability to pay (death, disability, bankruptcy).



CROSS-SERVICING COLLECTIONS

CY 2003 Collections of DMSC, PCA and TOP as of June 30, 2003

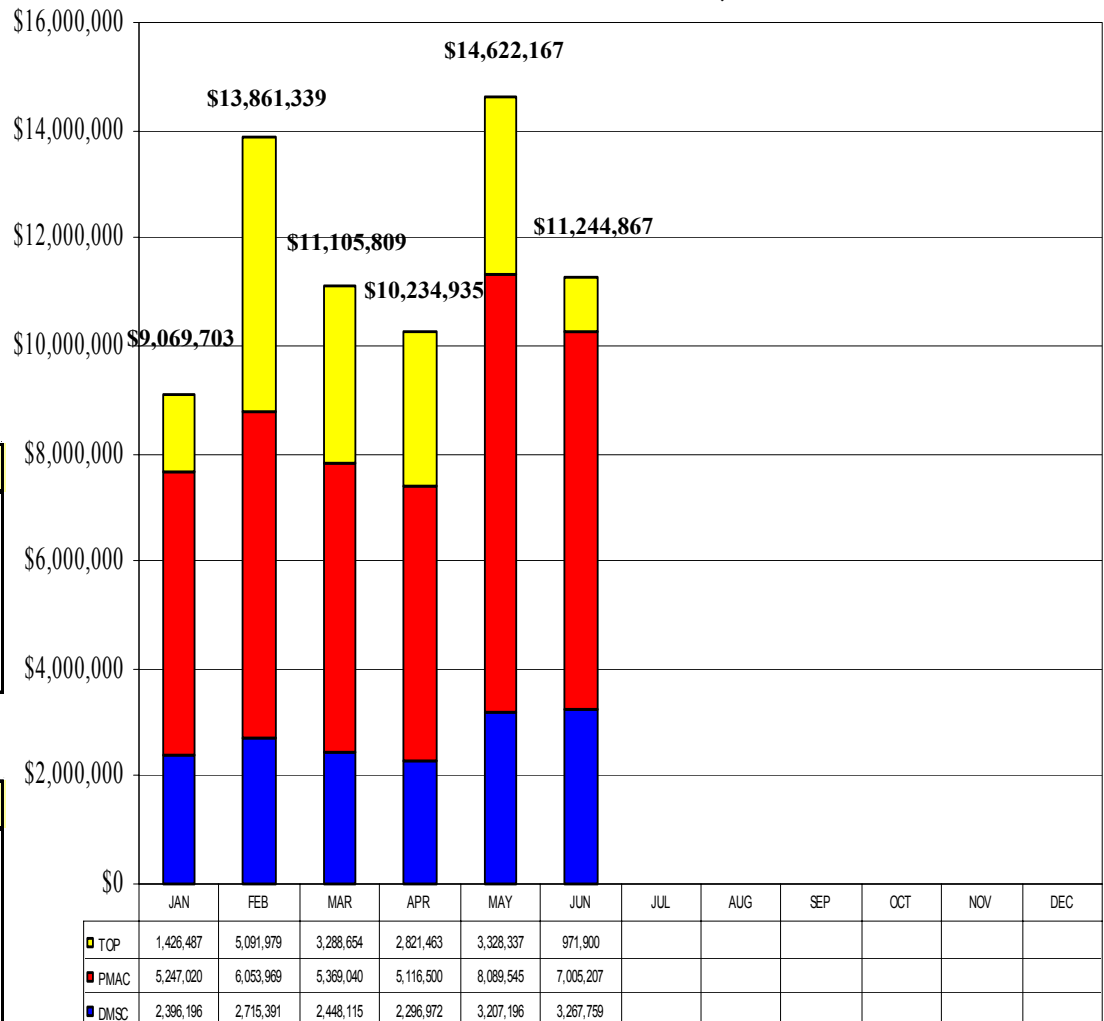
During the first half of CY 2003, cross-servicing collections have averaged nearly \$11.7 million per month, an increase of more than \$3.6 million over the monthly average collected during the same period in CY 2002.

Calendar Year to Date Collections

DMSC =	\$16,331,628
PMAC =	\$36,881,282
TOP =	\$16,928,819
TOTAL =	\$70,141,729

Fiscal Year to Date Collections

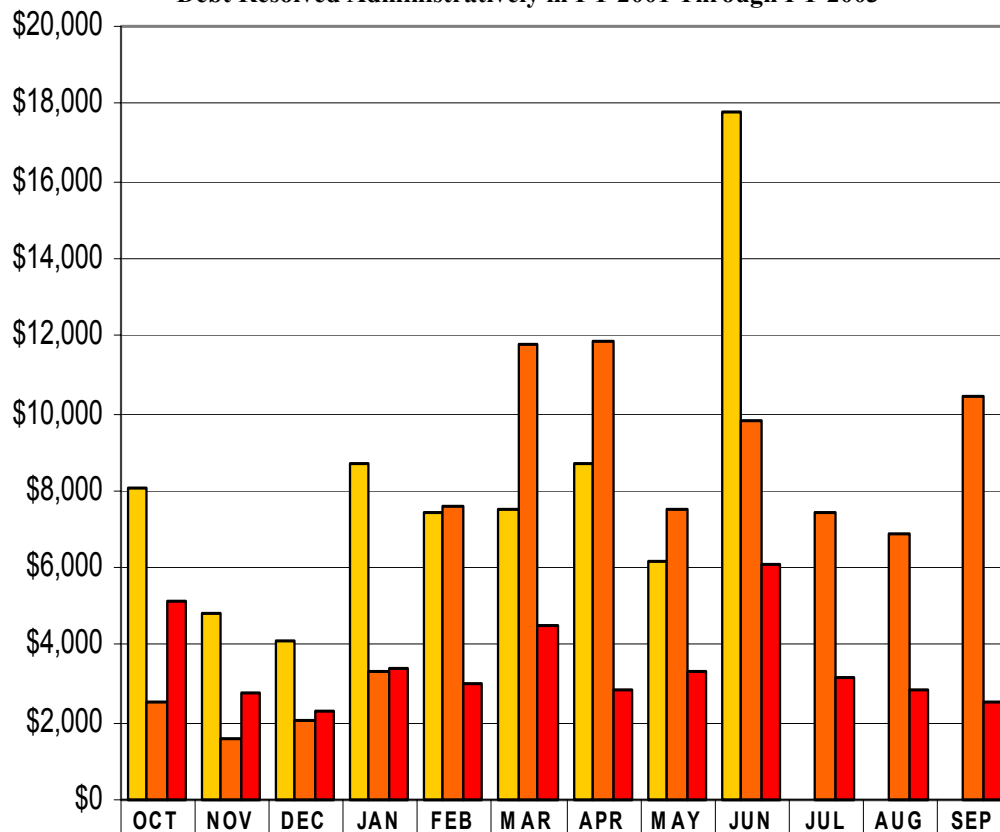
DMSC =	\$28,118,203
PMAC =	\$53,054,942
TOP =	\$21,864,769
TOTAL =	\$103,037,915



PRIVATE COLLECTION AGENCY (PCA) COLLECTIONS

ADMINISTRATIVE DEBT RESOLUTION

Debt Resolved Administratively in FY 2001 Through FY 2003



In June 2003, the PCAs administratively resolved nearly \$18 million of debt, the highest amount of debt ever resolved by the PCAs in a single month.

VALUE OF RESOLUTIONS

Fiscal Year 2003	\$73,432,342
Fiscal Year 2002	\$82,891,752
Fiscal Year 2001	\$41,846,517

Figures In Thousands



***Develop functionality not currently available in
our Cross-Servicing systems***

- ü **Online access for creditor agencies**
- ü **Increased automation (e.g. recalls, collection files, case returns, etc.)**
- ü **Improved reporting**
- ü **Enhanced financial transaction processing & reporting**
- ü **Automated Administrative Wage Garnishment**
- ü **Enhanced communication/coordination
between PCAs & Treasury**





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Treasury Offset Program

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What is offset?

- **Withholding funds payable by the United States to a person to satisfy a debt.**
- **TOP is a system that compares payments with debts. When a match occurs the payment is offset to collect the debt.**



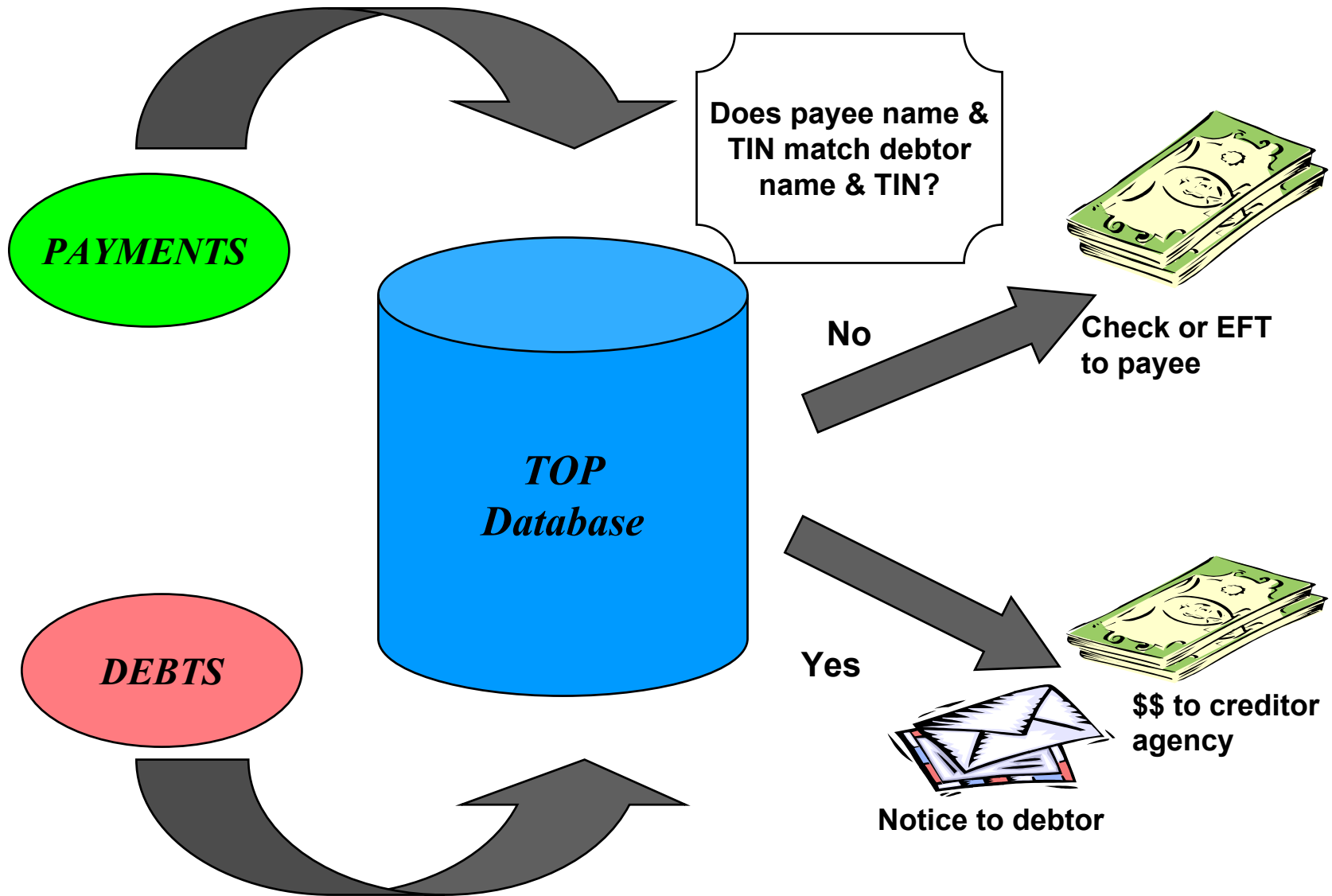


Administrative Offset

- **Requires agencies to notify Treasury of all debts over 180 days delinquent for purposes of offset**
- **Requires disbursing officials to offset payments**



TOP Process





As of June 30, 2003 TOP database contains–

- **\$31.1 billion in Federal non-tax debts**
- **\$72.4 billion in child support debts**
- **\$77.9 billion in Federal tax debts**
- **\$3.9 billion in State income tax debts**
- **Total - \$185.3 billion**





CY Collections Through TOP

As of July 23, 2003 - \$2.66 billion

• Administrative Offsets	\$52.9 million
• Tax Refund Offset Child Support	\$1.3 billion
• Tax Refund Offset Federal Non-tax Debt	\$981.4 million
• Tax Refund Offset State Income Tax Debt	\$138.9 million
• Tax Levy	\$49.9 million
• Child Care Refund Credit	\$134.6 million





Purpose:

- To assist agencies in collecting delinquent, non-tax debt by providing information to agencies and lenders on whether individuals and businesses applying for Federal loans, loan insurance, and loan guarantees have a debt with the Federal government (U.S.C. § 3720B and 31 C.F.R. §285.13).
- To provide an online resource on delinquent debtors for Federal agencies for purposes of carrying out the law.





Debt Check – Program Implementation

- Initial rollout with Small Business Administration (SBA) in February 2003.
- Web-deployed solution for use by Federal lending agencies and their lending partners; batch application in the future.
- Agencies and their lenders will be phased-in gradually.





Debt Check

As of July 16, 2003, 4,820 inquiries were run on the Debt Check database. Of those inquiries, there were 75 full matches and 39 partial matches.





Centralized Salary Offset

Participating Salary Paying Agencies:

- ✓ Interior
- ✓ National Finance Center
- ✓ DoD-DFAS
- ✓ U.S. Postal Service





Payroll Consolidation Initiative

- **Currently 3 of the 4 payroll agencies are participating in CSO**
- **The General Services Administration (one of the four payroll agencies) is slated to participate as a SPA by the end of Fiscal Year 2003.**





Non-Treasury Disbursing Office (NTDO) Vendor Offset

- **Non-Treasury Disbursing Office (NTDO) Vendor Payment Offset was successfully implemented on December 16, 2002 with Defense Finance and Accounting Service for contractor payments.**
- **Since inception, there have been 93 offsets totaling \$862,454.**
- **NTDO Vendor payments can be offset 100%.**





NTDO Vendor Offset

- **Currently working with the Defense Finance & Accounting Service (DFAS) to include other types of vendor payments.**
- **In the future, the United States Postal Service and USDA's Commodity Credit Corporation vendor payments will also be included.**





Future TOP Enhancements

- Joint & Several Liability
- Archive/Audit Trail
- Database Clean-up
- Web-based Client





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